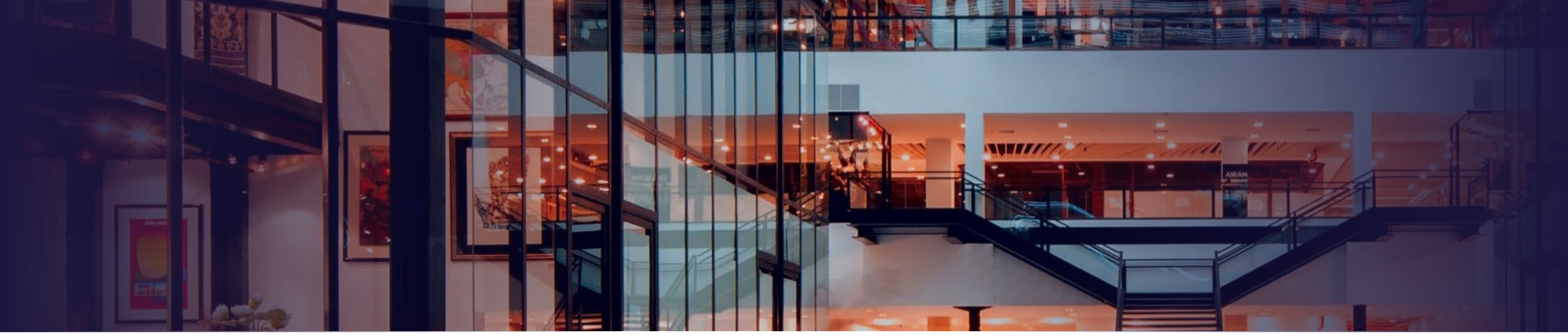
MARKETBEAT
LUXEMBOURG
RETAIL H1 2025



CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YoY Chg	12-Month Forecast
10,500 sq m Take-up 2025 (YTD)	▼	▼
€145 /sq m/mo. Prime Rent High Street	=	=
€167 million Investment Volume 2025 (YTD)	▲	▲

ECONOMIC INDICATORS

	YoY Chg	12-Month Forecast
1.04% GDP Growth YoY 2025 (F)	▲	▲
2.40% HICP Luxembourg June 2025	▲	▼
5.77% Unemployment Rate 2025 (F)	▲	▼

Sources: Moody's Analytics; Eurostat

MODEST ECONOMIC GROWTH WITH POSITIVE OUTLOOK

Luxembourg's economy ended 2024 with a **growth rate of 1.01%**, slightly above the Eurozone average of 0.84%. The main driver of this growth was **positive net exports**. In contrast, fixed capital investment weighed on performance, particularly due to a decline in both residential and non-residential construction projects.

Looking ahead, **forecasts predict continued moderate growth of 1.04% in 2025 and 2.16% in 2026.** Although global trade tensions, such as the recently negotiated 15% U.S. tariffs on the majority of the European exports, pose risks, fixed capital formation and consumer confidence are expected to improve. Both contributors are supported by lowering interest rates and the 2.5% wage indexation of May this year, following a year without indexation in 2024.

EUROZONE HITS INFLATION TARGET

In June 2025, Eurozone **inflation aligned precisely with the ECB's 2.00% target** and is expected to remain stable throughout the year. Following the recent phase of post-pandemic inflation, the ECB has announced a strategic shift, aiming to incorporate a wider range of risk scenarios into its policy framework. The ECB also notes that companies have become more agile in adjusting prices, enabling faster responses to potential global shocks and events.

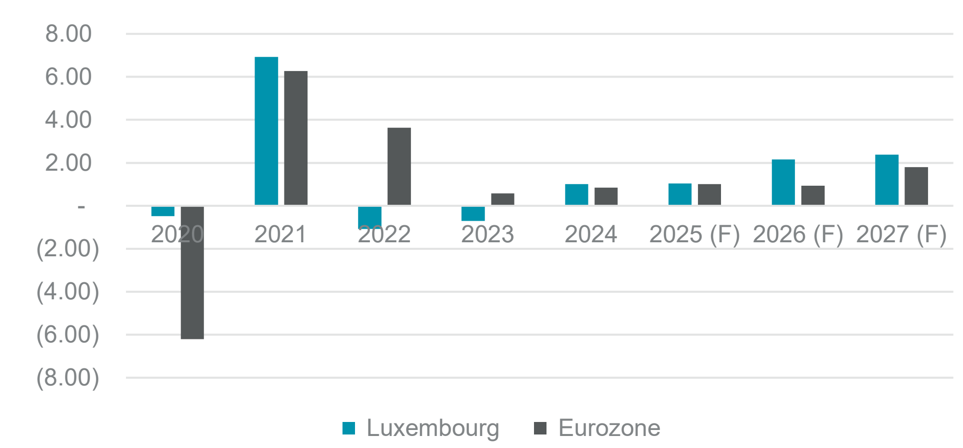
In contrast, **inflation in Luxembourg rose to 2.4% in June**, exceeding the Eurozone average. The main triggers were price increases in the alcohol and tobacco, and housing and utilities categories, while communication was the only category to exert a dampening effect.

STABLE UNEMPLOYMENT WITH GROWTH IN PUBLIC AND SOCIAL SECTORS

Luxembourg's unemployment rate reached **5.73% in 2024** and is expected to stay at a similar level of 5.77% in 2025.

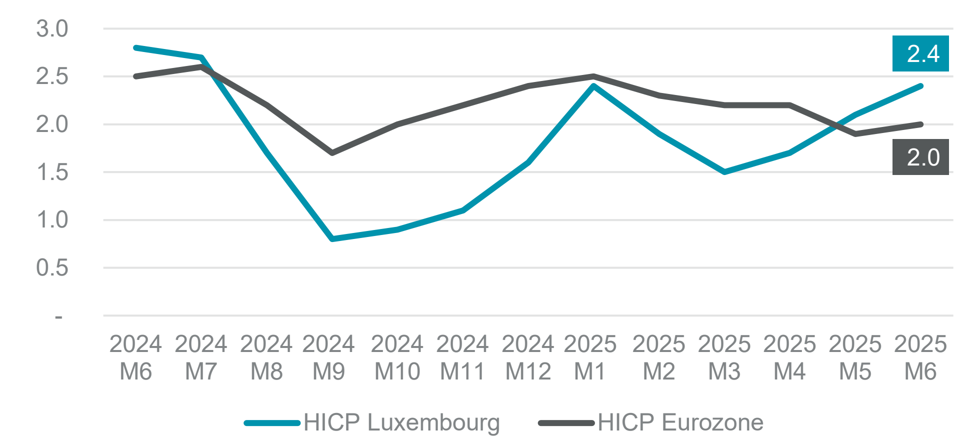
In the second quarter of 2025, **employment increased** in the **health and social services sector**, as well as in the **public sector**, including education. However, the **construction sector** continues to lose jobs, which has a negative impact on the overall employment situation.

GDP GROWTH (in % of prev. year)



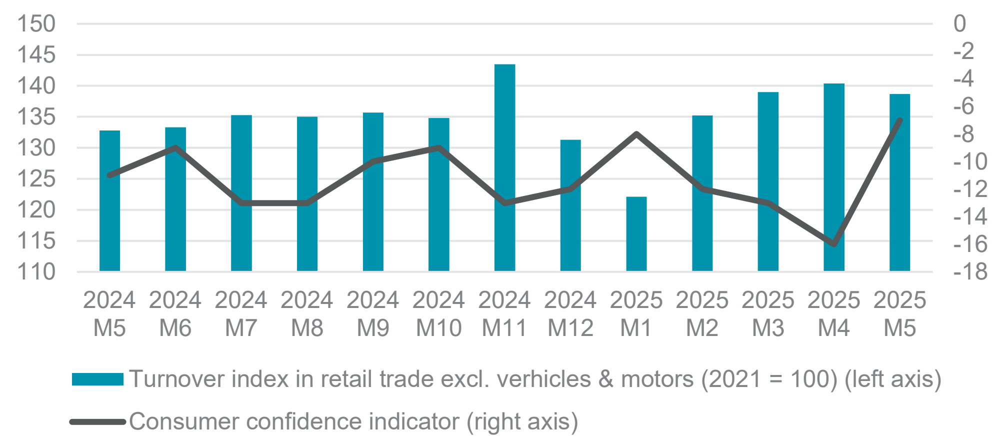
Source: Moody's Analytics (baseline scenario - July 2025)

INFLATION RATE (HICP in % of change)



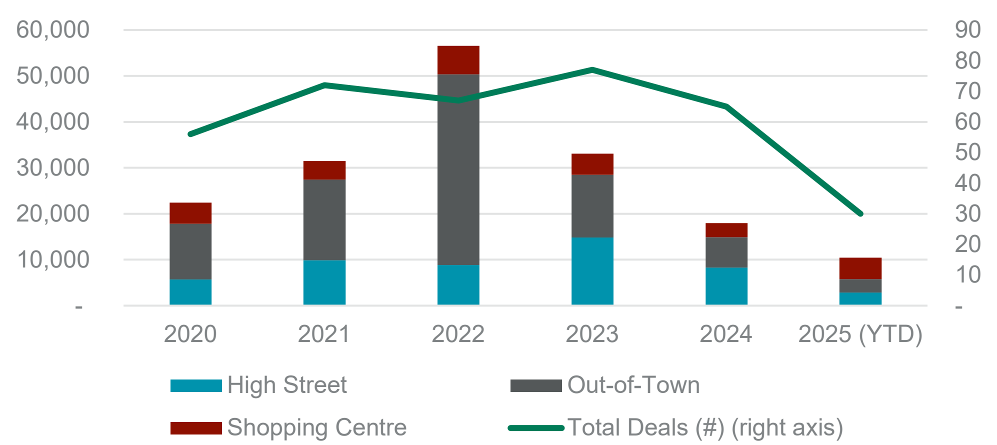
Source: Eurostat

RETAIL TRADE & CONSUMER CONFIDENCE

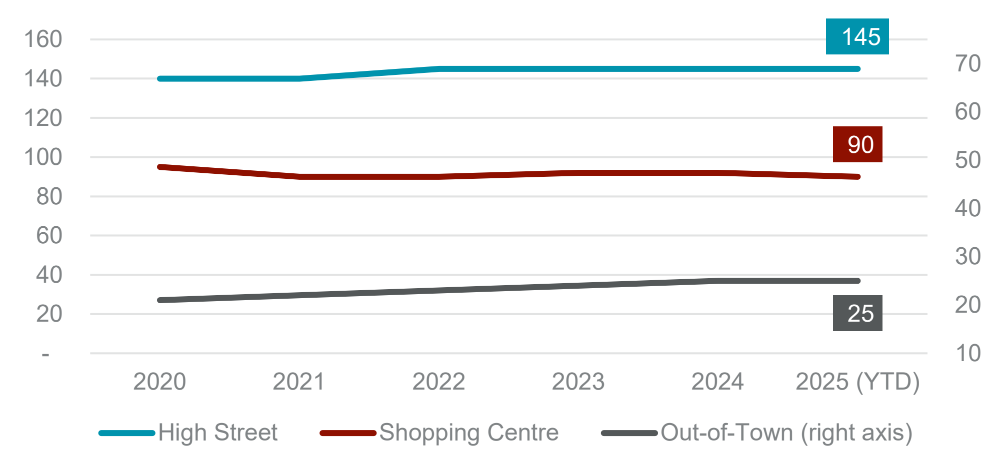


Source: STATEC; Banque centrale du Luxembourg (BCL)

TAKE-UP BY SECTOR (SQ M)



PRIME RENTS BY SECTOR (EUR/SQ M/MONTH)



RETAIL TURNOVER DIPS SLIGHTLY IN MAY, BUT YEAR-ON-YEAR GROWTH HOLDS

In **May 2025**, the **retail trade turnover index** dropped slightly to **138.7**, compared to the previous month. Despite this monthly decline, the index was still **4% higher than in May 2024**. This annual increase was mainly driven by higher spending on medical goods and in specialized pharmacies.

Meanwhile, **consumer confidence showed** a strong recovery. The confidence indicator improved from **-16 in April to -7 in May**. Consumers felt more optimistic about the **general economic outlook** and were more inclined to spend on **major purchases**.

RETAIL TAKE-UP SLOWS FURTHER AMID MODEST OCCUPIER DEMAND

The slowdown in Luxembourg's retail market has continued into 2025, with **low take-up volumes and limited occupier demand**. As of year-to-date, total take-up amounts to just around **10,500 sq m across 30 deals**, reflecting a muted market environment. While the **shopping centre segment** noticed a slightly higher take-up level, this was mainly due to **two larger lettings in terms of GLA**: Nike leasing 1,355 sq m in Cloche d'Or Shopping Center and Gymbros opening a 1,860 sq m fitness club in Centre Orchimont. However, these deals did not significantly shift overall market dynamics and broader leasing activity remains limited.

Interestingly, according to the latest *Retail Report* from the Ministry of Economy of Luxembourg, **vacancy rates have slightly improved**, dropping from 12.3% in 2023 to 11.9% in 2024. This trend is seen in both city centres and village centres. New formats such as pop-up stores and showrooms are helping to revitalise commercial areas, as traditional retail continues to adapt. It reflects how retail real estate is evolving to meet **changing consumer expectations** and support more **mixed-use urban spaces**.

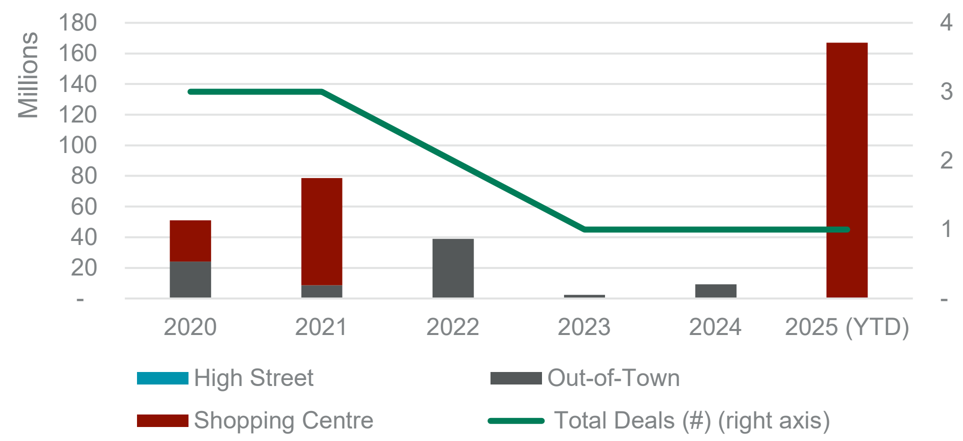
PRIME RENTS STABLE AMID MARKET CAUTION

Prime retail rents in Luxembourg have remained unchanged in 2025, reflecting a market characterised by limited take-up and transparency in pricing. The earlier uplift in **shopping centre rents** has been revised downward, with prime units in top-tier centres now back at **€90/sq m/month**. **High street** rents continue to lead at **€145/sq m/month**, while **out-of-town retail prime rent** remains at **€25/sq m/month**. While rents have shown stability so far, continued slowdown demand could put pressure on pricing in the coming period.

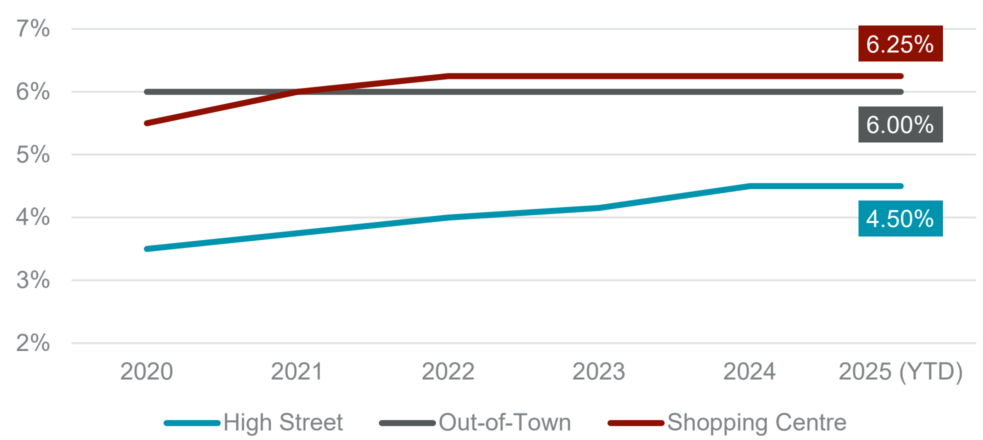
OUTLOOK

- Luxembourg's **GDP** is expected to grow by 1.04% in 2025, with a modest acceleration to 2.16% in 2026.
- **Inflation** spiked in May 2025, but on an annual basis, it is projected to stabilize towards the 2.0% target and decline further to 1.8% in 2026.
- **Consumer confidence** remains negative, with any recovery likely tied to broader economic stabilization.
- **Occupier activity** remains subdued, with take-up levels expected to stay low and few transactions taking place.
- **Investment activity** currently exceeds the levels recorded in the previous years, but the number of transactions remains limited, with volume driven by one landmark shopping centre transaction.
- **Prime rents and yields** are projected to stabilize further, although this remains largely theoretical because of the limited deal activity.

INVESTMENT VOLUME BY SECTOR (EUR)



PRIME YIELDS BY SECTOR



RETAIL INVESTMENT VOLUME PEAKS IN 2025 DRIVEN BY A LANDMARK SHOPPING CENTRE DEAL

After several years of declining activity, retail real estate investment in Luxembourg surged in early 2025, reaching its highest volume in recent years. This sharp rebound is entirely driven by a single major transaction: the **acquisition of Knauf Shopping Pommerloch and Knauf Shopping Schmiede** by Wereldhave. The total investment volume reached €167 million (including €1 million transaction costs) at a blended net initial yield of 8.00% for both complexes.

So far in 2025, investment activity has focused **exclusively on this shopping centre deal**, with no transactions recorded in high street or out-of-town retail segments.

RETAIL YIELDS: STABILITY REMAINS AFTER HIGH STREET ADJUSTMENT

Retail yields in Luxembourg have entered a period of apparent stability. **Shopping centre yields** followed an upward trend until **2022**, but have since remained stable at **6.25%** as of 2025 year-to-date. **Out-of-town retail** yields also kept stable at **6.00%** since 2020. In the **high street** segment, yields saw a modest increase to **4.50%** in 2024 and have since levelled off.

While yields appear stable across segments, this reflects a **pause in repricing** rather than active market movement. The limited number of transactions, particularly for **prime retail assets**, means that current yield levels are based more on market consensus and sentiment than on transactional benchmarks.

DEFINITIONS

- **Take-up**: total gross lettable area (GLA) in sq m of new occupier transactions, including commercial, social and storage space, but excluding pop-ups, renewals and pre-letting transactions without valid permits.
- **Prime rent**: achievable headline rent for a high-quality quality, well-located, high-specification unit of standard size, excluding incentives.
- **Prime yield**: consistently achievable gross initial yield for a grade A property, fully let on a commercial lease to a strong covenant in a prime location.

KEY LEASE TRANSACTIONS H1 2025

PROPERTY	SUBMARKET	TENANT	GLA (SQ M)	TYPE
Cloche d'Or Shopping Center	Shopping Centre	Nike	1,355	Letting
Centre Orchimont	Shopping Centre	Gymbros	1,861	Letting
11 Rue du Brill, Foetz	Out-of-Town Retail	Jims Fitness	1,600	Letting

KEY INVESTMENT TRANSACTIONS H1 2025

PROPERTY	SUBMARKET	SELLER / BUYER	GLA (SQ M)	PRICE (MEUR)
Portfolio Knauf Shopping Pommerloch & Schmiede	Shopping Centre	Nextensa / Wereldhave	62,000 (retail)	167

Transactions in the table include key sales transactions in the market, and are not necessarily closed by Cushman & Wakefield.

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